



Police Fiscal Activities (2007 Police CALEA ® Financial) 2nd Follow-Up Audit Report

Issued by the
Internal Audit Office
November 12, 2009

**City of El Paso
Internal Audit Office
Police Fiscal Activities 2nd Follow-Up Audit**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its fieldwork of the 2nd follow-up audit of the Police Fiscal Activities Audit Report dated June 6, 2007. Based on the follow-up audit fieldwork, we have determined the status of pending recommendations for each audit finding as outlined in the table below:

Finding No.	Description of Original Finding	Status
1	The Records Division is not submitting revenues for deposit promptly and EPPD Financial Services Division is not depositing revenues promptly. In addition, reconciliations of revenues and deposits are not performed.	Management Will Assume the Risk
2	Reconciliations are not being performed for Records Division revenue accounts and various reimbursement accounts.	Management Will Assume the Risk
3	The budget coordinator does not maintain the following for petty cash funds or cash accounts: balance sheet or ledger, listing of persons authorized to disburse or accept cash, and quarterly accounting of department cash activities.	Implemented During 1 st Follow-Up
4	During fiscal year 2007, a P-Card was identified as having 11 transactions totaling \$7,032.59 after the cardholder had retired. There was no evidence that a PCM-1 Form was submitted requesting that authorization be revoked for this card. The P-card remained active and purchases were made seven (7) months after the cardholder's retirement.	Implemented During 1 st Follow-Up
5	There is no written directive governing procedures for an independent audit of the EPPD's fiscal activities, as required by CALEA Standard 17.4.3.	Implemented During 1 st Follow-Up

For a detailed explanation of the findings and the current observations please refer to the appropriate finding contained in the body of this Audit Report.

Based on the results of this follow-up audit, three (3) of the original five (5) findings have been implemented and two (2) of the original five (5) findings are in progress and Management will assume the risk of not fully implementing corrective actions. No additional follow-up of this audit will be conducted. However, the El Paso Police Department can expect future audit work to be performed by the Internal Audit Office.

Type of Audit	Date of Audit	Results
Original Audit	June 6, 2007	<ul style="list-style-type: none">• 5 Original Findings identified
1 st Follow-Up Audit (Addendum to the 2008 Police CALEA Financial Audit Report)	September 24, 2008	<ul style="list-style-type: none">• 3 Findings fully implemented• 2 Findings in progress of implementation
2 nd Follow-Up Audit	October 31, 2009	<ul style="list-style-type: none">• 2 Findings in progress but Management will assume the risk of not fully implementing

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BACKGROUND

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*, Standard 2500.A1, requires a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings. The Internal Audit Office has conducted a 2nd follow-up audit of the Police Fiscal Activities Audit Report dated June 6, 2007.

AUDIT OBJECTIVES

The audit objective was to determine the implementation status of the two (2) pending recommendations found to be "In Progress" during the initial follow-up audit.

SCOPE & METHODOLOGY

This follow-up audit was limited to a review of the pending findings and recommendations detailed in the Addendum to the 2008 Police CALEA Financial Audit Report dated September 24, 2008. The audit period covered fiscal year 2008-2009. Audit fieldwork included interviewing key personnel, reviewing documents, and testing management processes to determine the status of each recommendation.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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***ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S
RESPONSE TO ORIGINAL FINDINGS, FIRST FOLLOW-UP OBSERVATION AND
STATUS, CURRENT OBSERVATION AND STATUS***

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Finding 1

Cash Handling – Records and EPPD Financial Services Divisions

A review was conducted of the cash handling procedures for Records Division revenues collected during the period from 2/16/07 to 3/27/07. The following was noted:

- The Records Division is not submitting revenues for deposit promptly as required by the Records Division Operations Manual Chapter 2.1.F and City Charter Section 7.7. An analysis of the Public Counter Register Count forms for the period from 2/16/07 to 3/27/07 indicates that cash was held at the Records Division from eight (8) to 22 calendar days before being submitted to the EPPD Financial Services Division for deposit.
- The EPPD Financial Services Division is not depositing revenues promptly, and whenever possible within one business day after its receipt, as required by the City Charter Section 7.7. An analysis of the four deposits made during March 2007 indicates that there were gaps between deposit dates ranging from three (3) to ten (10) business days.
- We were unable to determine if all revenues collected by the Records Division are being submitted to the EPPD Financial Services Division for deposit and if all revenues submitted are being deposited by the EPPD Financial Services Division for the following reasons:
 - The Records Division does not provide the EPPD Financial Services Division with documentation listing the date and amount of revenue being submitted for deposit.
 - Reconciliations of revenues and deposits are not performed.
- \$346,013.54 in Records Division revenue has been deposited as of 5/30/2007.

Recommendation

- Records Division revenues should be submitted for deposit promptly and whenever possible within one business day after its receipt. (The public counters should submit their revenues to the Records Division on a daily basis. The Records Division should then submit these revenues to the EPPD Financial Services Division for deposit on a daily basis.)

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Recommendation (cont.)

- Records Division should provide the EPPD Financial Services Division with documentation listing the date and amount of revenue being submitted for deposit.
- EPPD Financial Services Division should deposit revenues promptly and whenever possible within one business day after its receipt.
- Reconciliations of revenues and deposits should be performed and reviewed on a consistent basis.

Management's Response

Record Division revenues collected at the counters are reconciled to the cash register tapes and are later submitted to Financial Services for deposit. Revenues received from the Public Counters by Records Division are recorded daily on a Cash Summary Sheet by the Records Specialists and are reconciled by the Supervisor when cash is turned in. This Cash Summary Sheet, along with the daily cash register closeout tape, provide a record of the transactions conducted and monies received each day by each counter employee.

To streamline cash turn-in procedures, the Department will utilize a courier service at its records counters and Financial Services to make daily cash deposits directly into bank accounts. This courier service is the same service utilized by Municipal Court at its public counters. Cash will be collected daily by a private courier company at all Records counters, including the PD Headquarters Records counter, as well as PD Financial Services. Records Specialists at each counter will reconcile a daily cash register receipt tape produced from the cash register and record the results of the reconciliation on the Cash Summary Sheet. The employee will then sign the Cash Summary Sheet, and place the cash in a locked courier bag for courier pickup. The courier will pick up the cash daily directly at each Records Counter. The Cash Summary Sheet, cash register closeout tape, and any deposit ticket issued by the courier will be forwarded daily to Records for Supervisor quality control review, reconciliation, signature, and account transaction filing. A copy of the Cash Summary Sheet signed by both the Records Counter employee and Records Supervisor and courier deposit ticket will then both be forwarded daily to Financial Services by the Records Supervisor for quality control review and account transaction filing.

All Sections/Divisions turning cash in will follow this same procedure. A Detail Transaction Report of Revenues will be run at the end of each processing month to insure that deposits are reconciled between the Cash Summary Sheet and the PeopleSoft system. The Section/Division submitting cash may also run this report to insure the funds were deposited as a third-level quality control check.

Responsible Party

Records Manager (Terry Manson) and Financial Services Manager (Robert Adkinson)

Implementation Date

September 1, 2007

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First Follow-Up Observation

- Records Division revenues are not submitted for deposit promptly. Cash is being submitted to PD Financial Services between three (3) to six (6) business days from date of receipt.
- Reconciliations of revenues and deposits are not being performed by neither Records Division, nor Financial Services.

First Follow- Up Status

In Progress.

Current Observation

- Records Division revenues are submitted for deposit promptly. Cash is being submitted to EPPD Financial Services between zero (0) to two (2) days from the date of receipt.
- Reconciliations of revenues are being conducted and reviewed by the Records Division. However, reconciliations of deposits are not being performed and reviewed by either the EPPD Financial Services Division or the Records Division as required by Section 5.4 of the City of El Paso Cash Management Manual, dated May 2009. The Section states that "...Reconciliations to the general ledger system should be prepared at the departmental level to ensure that all receipts are traced into the general ledger. An individual at the departmental level should document these reconciliations."

Current Status

In Progress, but Management will assume the risk of not implementing corrective actions.

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Finding 2

Reconciliations & Safeguarding of Assets

- Reconciliations for the following accounts that include deposits for revenues, restitution payments, and reimbursements are not being performed:

Account	Source of Deposit	Cumulative Deposit Activity as of 5/30/2007
404064	Narcotics Reimbursement (Crime Lab)	\$ 9,400.99
405065	Restitution, Reimbursements & Misc.	241,793.28
405067	Reimbursed Overtime	287,475.55
405068	Records Division	346,013.54
Total		\$ 884,683.36

- Funds are secured in a locked filing cabinet within the EPPD Financial Services Division until they are deposited.

Recommendation

- Management should implement an internal control over revenues, restitution payments, and reimbursements by performing reconciliations to ensure that the correct amount of funds are deposited to and/or withdrawn from the appropriate account.
- The EPPD Financial Services Division should obtain a safe to secure funds until they are deposited.

Management's Response

A Detail Transaction Report of Revenues will be run at the end of each processing month to insure that deposits are reconciled between the Cash Summary Sheet, any deposit tickets provided by the courier, and the PeopleSoft system.

A small floor safe will be purchased to store all funds until they are deposited.

Responsible Party

Financial Services Manager (Robert Adkinson)

Implementation Date

September 1, 2007

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First Follow-Up Observation

- Management is not performing reconciliations of the accounts identified.
- Financial Services has an armored service that picks up cash receipts on a daily basis, but cash is still being held overnight in a locked filing cabinet. On 21 out of 22 (95%) days, the Records Division submitted daily receipts after the armored service pick-up which arrives between 10:30 a.m. and 12:00 p.m.; public counter daily revenues average \$1,000.00.

First Follow- Up Status

In Progress.

Current Observation

- Reconciliations of the accounts identified are still not being performed. In large part because there is:
 - (1) A lack of understanding of the City's policy regarding reconciliations:
 - The City of El Paso Cash Management Manual, dated May 2009, Section 5.4 states that "...Reconciliations to the general ledger system should be prepared at the departmental level to ensure that all receipts are traced into the general ledger. An individual at the departmental level should document these reconciliations."
 - (2) A lack of communication between the EPPD Financial Services Division and the City's Financial Services Department related to the invoicing process:
 - The EPPD Financial Services Division does not receive information regarding invoice numbers, invoice amounts, or amount of payments received for invoices generated on their behalf by the City's Financial Services Department. Without this information, reconciliations cannot be performed and it cannot be determined if all invoices that the EPPD requested were actually generated.

An accounts receivable aging report as of 10/31/09 indicates a large cumulative outstanding balance for invoices sent on behalf of the EPPD:

Current	\$	82,980.91
31 - 60 days	\$	2,875.00
61 - 90 days	\$	3,372.78
91 - 120 days	\$	1,075.00
Over 120 days	\$	168,718.02
Total	\$	<u>259,021.71</u>

- Requests to generate an invoice are submitted to the City's Financial Services Department by three different EPPD personnel. However, EPPD Financial Services Division only maintains record of those requests submitted by their Senior Accounting Payroll Specialist.
- A safe is no longer needed at EPPD Financial Services as they no longer hold deposits overnight.

Current Status

In Progress, but Management will assume the risk of not fully implementing corrective actions.

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Finding 3

Petty Cash Management

A review of petty cash management was performed. We found that the budget coordinator does not maintain the following for petty cash funds or accounts, as required by the EPPD Financial Services Division Operations Manual Chapter 2.11:

- A balance sheet, ledger, or other system that identifies initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.
- Listing of persons or positions authorized to disperse or accept cash.
- Quarterly accounting of department activities.

Recommendation

The budget coordinator should maintain the following for all EPPD petty cash funds:

- A balance sheet, ledger, or other system that identifies initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.
- Listing of persons or positions authorized to disperse or accept cash.
- Quarterly accounting of department activities.

Management's Response

A spreadsheet will be developed and maintained by all sections utilizing cash identifying initial balances, credits (cash income received), debits (cash disbursed), and the balance on hand.

A form listing persons authorized to disperse or accept cash will be maintained by all sections utilizing cash at the section level as well as in Financial Services.

A quarterly report of all petty cash transactions will be completed after the month closes (November, February, May, August) and kept on file. Every section that manages cash will submit the quarterly report to Financial Services for quality control. Financial Services will randomly audit cash accounts within the Department, with all cash accounts receiving an audit by Financial Services at least once annually.

Responsible Party

Financial Services Manager (Robert Adkinson)

Implementation Date

September 1, 2007

First Follow-Up Observation

- A form listing persons authorized to disperse or accept cash is not being maintained at the section level by two of the seven (30%) sections that utilize cash; Financial Services is not maintaining a copy of the forms.
- Not all sections are submitting quarterly reports to the budget coordinator.

First Follow-Up Status

Implemented.

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Finding 4

Procurement Card (P-Card)

An analysis of P-Card transactions processed during fiscal year 2007 was conducted. We found that one out of 42 P-Cards (2%) had 11 transactions totaling \$7,032.59 which were processed after the cardholder retired from the EPPD on 4/17/2006. The transactions are shown in the table below:

#	Transaction Date	Merchant Name	Amount
1	4/18/2006	Maps & Stuff	\$ 550.00
2	4/19/2006	El Paso Office Prod AOPD	162.00
3	4/24/2006	Sirchie Finger Print Labo	1,218.14
4	4/25/2006	Armor Holdings Forensics	1,002.50
5	4/28/2006	Economy Cash & Carry	116.61
6	5/1/2006	Economy Cash & Carry	71.25
7	5/3/2006	El Paso Office Prod AOPD	374.40
8	5/4/2006	Southwestern Mill Dist	115.30
9	5/5/2006	Economy Cash & Carry	(6.15)
10	5/24/2006	Airgas Safety Lyons	2,291.54
11	12/1/2006	Armor Holdings Forensics	1,137.00
Total			\$ 7,032.59

EPPD Management represented to us that the P-Card purchases were legitimate EPPD purchases. However, the following internal control breakdowns regarding P-Card management were noted:

- We could not find evidence that a P-Card Account Maintenance (PCM-1) Form was submitted requesting that authorization be revoked for the retired cardholder, as required by the City's Procurement Card Manual Section 4.3.
- P-Card was active and purchases were made seven (7) months after the cardholder's retirement. This activity was not detected by the EPPD Financial Services Division during the monthly P-Card reviews. Therefore, immediate action to revoke authorization was not taken as of the retirement date of the cardholder.

Recommendation

- The P-Card approver should immediately submit a PCM-1 Form and P-Card to the P-Card Account Manager requesting that authorization be revoked for any cardholder who retires, is terminated, or is transferred to another department.
- The P-Card approver should maintain a copy of the submitted PCM-1 Form and document the confirmation from the P-Card Account Manager that the request was processed.
- The P-Card reconciler and approver should take immediate action to revoke authorization if transactions for retired, terminated, or transferred cardholders are found during the P-Card account monthly reviews after the separation date.

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Management's Response

Regarding the cited findings, Louie Alvidrez retired in April of 2006. All orders on Mr. Alvidrez's card were placed before the employee retired, however several charges were not posted to his credit card until after he left. The charge that was posted in December 2006 was ordered in February 2006 through the Internet while the employee was still employed by EPPD. The vendor, Armor Holdings Forensics, does not know why the invoice was submitted so late. A copy of the order showing that it was placed in February is attached. The order in May with Airgas Safety Lyons is currently being researched by the vendor. The vendor stated that the charge was applied as a credit for items ordered after Mr. Alvidrez left and a refund check cut for the balance. The vendor will fax a copy of the file once they have everything consolidated. Mr. Alvidrez made the other charges in April prior to his retirement. They did not hit the system until the following month.

EPPD will insure employee issued a P-Card will turn their card over to EPPD Financial Services upon their retirement or when they will no longer need to make purchases. EPPD Financial Services will prepare the PCM-1 form. The form, p-card, and a copy of the form will be hand carried to City Hall Financial Services. The original form and credit card will be given to the responsible City Hall Financial Services employee overseeing the p-card program. The copy of the PCM-1 form will be signed and dated by the person receiving the originals and returned to the Department. The copy of the signed PCM-1 form verifying turn-in will be maintained in an inactive file at EPPD Financial Services. This procedure will be effective July 1, 2007.

Responsible Party

Financial Services Manager (Robert Adkinson)

Implementation Date

July 1, 2007

First Follow-Up Observation

A review of two individuals who retired, transferred, or resigned had the following results:

- There was immediate submission of PCM-1 Form and P-Card to Account Manager requesting authorization to be revoked for both individuals.
- The P-Card Approver maintains a copy of the submitted PCM-1 form and documents confirming the P-Card Account Manager's request for both individuals.
- There were no transactions after the date of separation for both individuals.

First Follow- Up Status

Implemented.

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Finding 5

CALEA Standards Compliance

A review of the EPPD's compliance with CALEA Standards for fiscal management was performed. The results of our review are shown in the table below:

CALEA Standard	EPPD Compliance
17.1.1	Yes
17.2.1	Yes
17.2.2	Yes
17.3.1	Yes
17.4.1	Yes
17.4.2	Yes
17.4.3	No*

* There is no written directive governing procedures for an independent audit of the EPPD's fiscal activities, as required by CALEA Standard 17.4.3.

Recommendation

Management should develop a written directive governing procedures for an independent audit of the EPPD's fiscal activities.

Management's Response

Management will develop a written directive governing procedures for an independent audit of the EPPD's fiscal activities. This written directive will be placed in Chapter 6 of the Financial Services Operations Manual and will state:

6.0 INDEPENDENT AUDIT. The Financial Services Division will arrange for an annual independent audit of the Department's fiscal activities through the City's Internal Auditor. (CALEA 17.4.3)

Responsible Party

Financial Services Manager (Robert Adkinson)

Implementation Date

August 1, 2007

First Follow-Up Observation

The Financial Services Operations Manual has been updated to comply with CALEA Standard 17.4.3 by including a written directive for an independent audit of the EPPD's fiscal activities.

First Follow-Up Status

Implemented.

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this 2nd follow-up audit, we found that of the five (5) original findings, three (3) have been implemented and two (2) are in progress, with management assuming the risk of not fully implementing corrective actions related to reconciliations.

The El Paso Police Department has made an effort towards implementing the original audit finding recommendations, but implementing procedures related to reconciliations have not been completed. Management will assume the risk of not fully implementing the recommendations. We consider the risks to be inherent with their operating procedures, thus, no additional follow-up will be conducted by the Internal Audit Office. However, the El Paso Police Department can expect future audit work to be performed in the area of reconciliations.

We wish to thank the management and staff of the El Paso Police Department for their assistance and numerous courtesies extended during the completion of this follow-up audit.

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